George Weston Limited Annual Report

1970

George Weston Limited Annual Report for the year ended December 31, 1970.

Contents

Directors

W. GARFIELD WESTON
Chairman of the Board
George Weston Limited

W. GALEN WESTON
Vice-Chairman of the Board
George Weston Limited
Chairman
Power Super Markets (Ireland)

G. E. CREBER
President and Managing Director
George Weston Limited

W. C. R. JONES
President
Eddy Paper Company Limited

F. CLIFFORD LENNOX
President
Somerville Industries Limited

V. F. MACLEAN
President
Kelly, Douglas & Company Limited

GEORGE C. METCALF
Chairman and President
Loblaw Companies Limited

R. I. NELSON
President
British Columbia Packers Limited

E. P. RATHGEBER
President
Westfair Foods Ltd.

FRANK A. RIDDELL
President
Weston Bakeries Limited,
Vice-President
George Weston Limited

R. C. SHROPSHIRE
President
William Neilson Limited

G. H. WESTON
Chairman
Associated British Foods Limited

Officers

W. GARFIELD WESTON
Chairman of the Board

W. GALEN WESTON
Vice-Chairman of the Board

G. E. CREBER
President and Managing Director

P. F. CONNELL
Vice-President, Finance

FRANK A. RIDDELL
Vice-President

D. N. McPHIE
Controller

K. H. SMITH
Secretary

J. W. AINSWORTH
Treasurer

B. G. CHILDS
Manager of Special Projects

Annual Meeting

Royal York Hotel, Toronto
June 14, 1971 at 10:30 a.m.

Financial Highlights

	1970	1969
Sales	$997,386,000	$931,857,000
Net Income	15,645,000	15,489,000
Return on Shareholders' Equity	10.0%	10.3%
Income from Operations	14,396,000	15,432,000
Cash Generated from Operations	29,935,000	29,560,000
Working Capital	99,190,000	105,068,000
Working Capital Ratio	1.83 to 1	1.98 to 1
Dividends	9,618,000	9,113,000
Shareholders' Equity	163,950,000	156,475,000
Total Assets	443,146,000	437,120,000
Per Common share		
Net Income	1.35	1.33
Income from Operations	1.23	1.33
Dividends	.79½	.75

Report to Shareholders:

On behalf of the Board of Directors of George Weston Limited and its consolidated subsidiaries, the Annual Report for the year ended December 31, 1970 is presented herewith.

The consolidated sales of the Company in 1970 rose by 7% to a new high of $997 million while net income increased slightly to $15.6 million or $1.35 per common share as compared with $1.33 per common share in 1969. Increased extraordinary income more than offset the decline in income from operations.

During the year the Company acquired Soo Line Mills (1969) Limited, to bring vertical integration to the bakery operations. It also organized George Weston Properties Limited as a property financing company which has the effect of lowering the cost of properties normally leased through other channels. A subsidiary, Kelly, Douglas & Company, Ltd., entered into a joint venture in the construction and operation of a dairy products and ice cream plant in Vancouver to supply the wholesale trade under the name of Foremost Foods Ltd. The Biscuit & Confectionery business was segregated from the Bakery operations and reorganized under a newly formed company, Weston Foods Limited, with Mr. Jon K. Grant as President.

At the last Annual Meeting the shareholders approved an increase in the number of Directors and Mr. Robert C. Shropshire, President and General Manager of William Neilson Limited, was elected to the Board. Mr. Frank A. Riddell was appointed a Vice-President of the Company in addition to his duties as President of Weston Bakeries Limited bringing to the parent Company his vast experience. The financial and administrative organization was further strengthened by the appointment of Mr. J. W. Ainsworth as Treasurer, Mr. K. H. Smith as Secretary and Mr. B. G. Childs as Manager of Special Projects. Many appointments have been made within the subsidiaries to improve the quality and depth of management.

In our 1969 Report to Shareholders we said that for the year 1970 "there are some indications of an economic slow down." In the latter part of 1970 this slow down became a recession with severe effects on most businesses. The part of our business most drastically affected was our Pulp and Paper Division although all Divisions suffered. The unpegging of the Canadian dollar and the lowering of protective tariffs also had a severe effect on our Pulp and Paper Division. The results of your Company, faced with these difficulties, illustrate the strength of its diversified operations. However, the 1970 results are far from satisfactory and efforts are being made in many areas which are expected to result in increased profits. 1971 has commenced with a slow start but it is anticipated that the year will produce improved results.

On behalf of the Board,

President and Managing Director

Toronto, Canada
May 17, 1971

Review of Operations

The operations of George Weston Limited and its subsidiary companies are classified into the following Divisions:

Consolidated Divisions
- Bakery*
- Biscuit & Confectionery*
- Chocolate & Dairy
- Fisheries
- Forest Products
- Packaging
- Wholesale & Retail

**These two Divisions were previously operated as one Division—Bakery & Confectionery*

Non-Consolidated Division
- Loblaw

Comments on the highlights of each Division's operations appear on the following pages. The chart located in the centre of this Report portrays the principal companies comprising each Division, as well as their major facilities, products and services.

1970 was a year of consolidation of your Company's diversified operations and facilities, and only two significant additions were made—the acquisition of Soo Line Mills (1969) Limited, a Winnipeg-based flour milling operation, and the formation of a new property holding company, George Weston Properties Limited. More information regarding these new operations is contained in the section dealing with corporate changes.

SALES
Consolidated sales of $997 million in 1970 were the highest in the Company's history, and 7% ahead of the previous year. About half of this increase is attributable to the full year effect of acquisitions made in 1969. Sales volume of all Divisions increased except Fisheries and Packaging, which were slightly below last year. Specific sales figures for each Division will be found on the page accompanying the Divisional chart in the centre of this Report.

EARNINGS
Consolidated net income for the year was $15.6 million, ($1.35 per common share), an increase of 1% from the $1.33 per common share earned in 1969. The results achieved in 1970 represented an after tax return of approximately 10% on shareholders' equity.

Income from operations of $14.4 million, ($1.23 per common

share), was lower than last year's $15.4 million ($1.33 per common share), and reflected the erosion in the well-being of the Canadian economy. Profits from the Wholesale & Retail and Fisheries Divisions increased, but these were more than offset by the declines in the other Divisions, with the Forest Products Division suffering a 40% drop in income from 1969.

Extraordinary items of $1.2 million added 12¢ per common share to net income. Income tax reductions and non-recurring gains were partially offset by the foreign exchange loss on working capital of Canadian subsidiaries occasioned by the unpegging of the Canadian dollar on May 31, 1970. Potential exchange profit of $734 thousand relating to long-term debt due in U.S. dollars, and the equity in U.S. subsidiaries has not been taken into income but has been deferred until realized.

DIVIDENDS

In 1970 the quarterly dividend on the common shares was increased from 18¾¢ to 21¢ per share effective with the October 1 dividend. For the year a total of 79½¢ was declared on the common shares (75¢ in 1969). On the first and second series of preferred shares, the regular dividends of $4.50 per share and $6.00 per share respectively were paid. In addition a dividend of $1.15 per share was paid on the new third series preferred shares.

WORKING CAPITAL

Working capital of almost $100 million was slightly lower than last year primarily due to long-term debt maturities. The ratio of current assets to current liabilities was 1.83 to 1 at the end of 1970, (1969—1.98 to 1).

CAPITAL EXPENDITURES

Expenditures for fixed assets in 1970 totalled $21.6 million, while disposals amounted to $4.4 million, a net outlay of $17.2 million. This compared with net expenditures of $17.5 million in 1969 (after taking into consideration approximately $23 million representing fixed assets obtained that year with acquisitions). In 1970 no single major capital expenditure was made, with allocation of funds being concentrated on necessary replacement and modernization of existing facilities and programs with an attractive return through cost reduction. Depreciation charged to operations in 1970 was $17.2 million, equating net expenditures.

LONG-TERM DEBT AND SHAREHOLDERS' EQUITY

Long-term debt of $110.3 million at December 31, 1970 (after classification of amounts due within one year as current liabilities) was down by almost $11 million. No new financing was undertaken in the year.

At the Annual Meeting of June 4, 1970, the shareholders authorized the establishment of a plan or plans (including stock option and stock purchase plans) to provide effective incentives to key employees and officers of the Company. To facilitate this, Supplementary Letters Patent were obtained July 9, 1970, authorizing a third series of preferred shares, designated as 6% convertible into 5 common shares for each preferred share and $3.75. On September 21, 1970, 17,000 of these shares were issued to certain key officers of the Company and its major subsidiaries. There were no other shares issued in 1970.

CORPORATE CHANGES

In January, 1970, the flour milling operations of Soo Line Mills (1969) Limited were acquired.

In March, 1970, George Weston Properties Limited, a property holding company, was formed. By acting as a financing vehicle to own properties which might otherwise be lease-financed with third parties, this company will retain financing profits and property ownership within the Weston group.

BAKERY

In 1970 the Bakery & Confectionery Division was reorganized into two Divisions—the Bakery Division and the Biscuit & Confectionery Division. The Bakery Division—a leader in its industry, produces and distributes across Canada a wide variety of breads, rolls, cakes, pies and other similar products. Soo Line Mills (1969) Limited, a flour milling operation located in Winnipeg, was added in the year as part of the Bakery Division to provide some vertical integration in the Bakery operations.

Sales of $63 million in the Bakery Division (about 6% of consolidated sales) represented an increase of more than 20% over 1969. Somewhat less than half of this increase was due to the addition of Soo Line Mills, the greater part being substantially accounted for by the addition of the Loblaw retail store accounts and general market growth partially offset by a lengthy strike at the Winnipeg baking operation.

Continuing its policy of modernization and increased efficiency, the Division made significant improvements in manufacturing, warehousing and trucking facilities. This was an important factor in offsetting the increased unit costs of material, labour and other services and the effects of severe price competition. As a result 1970 profits remained at about the same level as in the previous year.

Wage settlements made during the year are estimated to add at least $1½ million to 1971 operating costs. While part of this will be recovered through improved efficiency, this Division and the industry will have to increase prices in 1971 to provide a reasonable rate of return on sales and investment.

BISCUIT & CONFECTIONERY

The Biscuit & Confectionery Division, previously a part of the Bakery & Confectionery Division, manufactures and markets a wide range of sweet biscuits, crackers, ice cream cones, confections and candies across Canada and the United States.

In 1970 its sales amounted to $104.5 million, or 10.2% of consolidated sales. Despite a six week strike at its Battle Creek, Michigan, plant through the important fall season, and extremely intense competition, the Division's physical sales volume was fully maintained in both countries. Because of the decline in value of the U.S. dollar total sales expressed in Canadian funds were down slightly from 1969.

Rapidly rising unit costs and a market resistant to price increases resulted in materially lower profits in 1970 despite increased efficiency of operations.

During the year Mr. Jon K. Grant was appointed President of Weston Foods Limited to head up this newly created Division, in order to focus concentration on this important segment of the Company's operations. Further appointments have been made to key positions in manufacturing, marketing, finance and purchasing in a major program to improve profitability and market position. Initial steps have been taken for greater integration of production

and distribution facilities, improved financial control and reporting systems, better distribution patterns, centralized purchasing, and for more dynamic marketing strategies at both the trade and consumer levels. Primary emphasis will be continued throughout 1971 on this program, and it is anticipated that profits will show an improvement before the end of the year.

CHOCOLATE & DAIRY

This Division showed an increase in sales in 1970 to $48.2 million, representing 4.7% of consolidated sales. Ice cream, chocolate bars and other chocolate and dairy products shared in this increase.

Because of higher unit costs of labour and material which were unable to be offset by cost reduction programs or price adjustments, the profitability of this Division was materially lower. The severity of reduced profitability at Neilson was not fully recognized by management until late in 1970 because of defects in a new management information system and it was necessary to record a significant inventory adjustment in the last quarter of 1970. Corrective measures have been instituted which are expected to be effective during 1971.

Incorporation of the production requirements of the Willards lines with those of Neilson was completed during the year and a program to achieve optimum utilization of the production facilities was introduced. A new distribution centre and sales office for Neilson and Willards chocolate products was opened in Montreal and an office to handle sales and distribution in the United States was established in Chicago.

Several appointments to key management positions were made during the year and subsequently, in accordance with a planned reorganization of management structure and realignment of operations. Full implementation and refinement of these plans will be continued in 1971.

FISHERIES

The Fisheries Division, consisting of British Columbia Packers Limited and Connors Bros. Limited, realized total sales in the year of $106.9 million or 10.4% of consolidated sales. This represented a decline from 1969 sales of some 2.4% which was attributable largely to the unpegging of the Canadian dollar and the small 1969 salmon catch in British Columbia. Despite lower sales, income from operations was ahead of 1969.

B.C. Packers achieved a modest improvement in income from operations even though sales were lower. This occurred because of firmer prices for canned salmon, a good demand for other products and a substantially larger salmon catch. Atlantic Coast herring landings were ahead of the previous year and contributed materially to profit improvement. Groundfish landings were maintained at about the same level as last year. It is anticipated that salmon landings in 1971 will again be at a lower level but this will be partially offset by the inventory carryover from the large catch realized in 1970. Emphasis continues to be placed on introducing new and expanding established lines of convenience fish foods.

Connors Bros. sales increased over the previous year, due mainly to increased sales of canned fish to the United States. While demand was strong for herring, groundfish, shell fish, fish meal and oil, and other products, their sales were restricted by limited raw fish supply. Earnings were maintained at approximately the 1969 level despite the effect of the unpegging of the Canadian dollar and consequent reduction of the return on export sales, which represents a substantial portion of the company's business. New facilities for the processing of canned herring and shell fish were completed at Shippegan, New Brunswick during the year to accommodate increased demand for these products in both domestic and export markets.

FOREST PRODUCTS

Sales for the year of $116.7 million accounted for 11.3% of consolidated net sales and reflected an increase of $28.3 million or 32% over 1969. To a large extent the increase in sales is attributable to the inclusion, for a full twelve month period, of the sales of Eddy Forest Products Limited and Eastern Fine Paper Inc., both of which were acquired during 1969.

The unpegging of the Canadian dollar, the accelerated implementation of tariff reductions on fine paper and the general softening of the North American economy adversely affected the whole pulp and paper industry. Eastern Fine Paper Inc., a U.S. subsidiary acquired for the express purpose of assisting in the marketing of Canadian produced fine papers in the United States, operated at a loss because of the freeing of the Canadian dollar resulting in lower price realization on sales and increased competition from U.S. and foreign mills. While the Division as a whole remained profitable, it experienced an overall 40% decline in income from operations.

During the year a major change in the fuel system and modifications to reduce effluent from the pulp and paper mills at Espanola and Hull were effected. These improvements are part of a continuing program and have contributed significantly to the reduction of both air and water pollution in the areas. Labour negotiations in the year resulted generally in two-year contracts at several mill locations and woodlands operations.

Intense Corporate and Divisional attention is being

Forest Products

Principal Subsidiaries

Eddy Paper Company Limited
The E. B. Eddy Company
J. E. Boyle, Ltd.
Eddy Forest Products Limited
Eastern Fine Paper, Inc. (U.S.)

Facilities

Extensive timber limits and wood harvesting facilities in Ontario and Quebec.
Pulp and paper mills at Hull, Quebec and Espanola, Ontario.
Converting plants at Hamilton, Ontario and Montreal, Quebec.
Paper mill at Brewer, Maine.
Sawmill at Davidson, Quebec.

Products—Services

Manufactures and distributes fine, specialty and kraft papers for printing, converting, packaging and wrapping; paperboard, newsprint, kraft pulps, lumber; tissue, other household and industrial paper products; flexible and rigid packaging.

Packaging

Principal Subsidiaries

Somerville Industries Limited
Somerville Automotive Trim Limited
Canadian Folding Cartons Limited

Facilities

Major packaging plants at London and Toronto, Ontario, Montreal, Quebec and Winnipeg, Manitoba. Automobile trim component plants at Toronto and Windsor. Plastic moulding and point-of-purchase display plants in Toronto.

Products—Services

Folding cartons and set-up boxes, milk cartons, labels, games and puzzles; fibreboard, hardboard and compression moulded plastic automotive components; plastic cups, dishes and cutlery; custom injection moulding and vacuum forming; merchandising displays and exhibits. Distribution across Canada and in the United States.

Wholesale & Retail

Principal Subsidiaries

Westfair Foods Ltd. and divisions
Western Grocers, Econo-Marts, Dominion Fruit, Malkins, Shop Easy Stores, Mini Marts
Kelly, Douglas & Company, Ltd.
Nabob Foods Limited
Super-Valu Stores (B.C.) Ltd.
Cal-Van Caterers Ltd.
Isaacs Pharmacy Limited
Dickson Importing Co. Limited
Foremost Foods Ltd.

Facilities

Westfair has food distribution warehouses and retail food outlets throughout Western Canada.
Kelly Douglas has food manufacturing facilities at Burnaby, B.C. and Ajax, Ontario; food warehouses, retail food markets and drug stores in British Columbia.

Products — Services

Westfair wholesales and retails food and other products throughout Western Canada operating convenience stores, discount outlets and food markets.
Kelly, Douglas conducts food and drug distribution and catering operations in British Columbia and the Yukon and manufactures food products for sale across Canada and in the United States.

Loblaw
(not consolidated)

Principal Subsidiaries

Loblaw Companies Limited
Loblaw Groceterias Co., Limited
Power Supermarkets Limited
Zehr's Markets Limited
Dionne Limited
The O.K. Economy Stores Limited
National Grocers Company Limited
Atlantic Wholesalers Limited
Save Easy Supermarkets Ltd.
Sayvette Limited
York Trading Limited
G. Tamblyn, Limited
Donlands Dairy Limited
Royal Dairy
National Tea Co. (U.S.)
Loblaw Inc. (U.S.)

Facilities

About 300 supermarkets in Canada and 1,000 in United States
Grocery warehouses from Saskatchewan to Atlantic Coast.
Chain of drug stores across Canada and in United States.
Department stores and dairy plants in Toronto area.

Products — Services

Retail marketing of food, drug and other products in Canada and United States — wholesale food distribution in Canada.
Department store merchandising and processing of dairy products in Toronto area.

a[illegible]ed towards development of via[illegible] solutions to the unsatis[illegible] profit position of this Divis[illegible]

PACKAGING

Total sales in 1970 at $44 million were down 3% from 1969 and represented about 4.3% of consolidated sales. As a direct result of the strike at the General Motors plants the automotive trim division suffered a 20% reduction in volume. This decrease was partially offset by increases in sales of packaging materials and displays. Volumes of moulded plastic items and of paperboard games were maintained at approximate 1969 levels.

Income from operations declined slightly to $1.4 million which amounts to an 11.0% return on shareholders' equity. The substantial reduction in profitability of the automotive division was only partially offset by improvement in other divisions. Somerville's 50% owned Mastico Industries Limited which produces sound insulating materials for cars and trucks completed its first full year of operation in a profit position.

Capital expenditures in the year were modest and concentrated on outlays to improve efficiency and productivity.

WHOLESALE & RETAIL

Sales of this Division increased 6.7% to $544 million or 53.0% of consolidated sales. Income from operations was almost 9% ahead of 1969.

Kelly, Douglas achieved a 7.6% increase in sales and a 6.0% increase in income from operations. Sales were up in all divisions except catering. Wholesale-Retail operations were enhanced both as to volume and profit due to the non-recurrence of the meat cutters strike which occurred in 1969. Catering operations were curtailed because of strikes and cutbacks in the construction industry. During the year three new stores were added with five more planned for 1971. The Retail Drug operation was reorganized and expanded and a new highly automated dairy plant was completed and placed in operation in partnership with Foremost Foods, Inc. of California.

Westfair Foods also made significant gains in both sales and income from operations setting new records for the company in spite of severe discounting in the retail food industry in the latter part of the year. Growth was experienced in both wholesale distribution and retail operations. In 1971 it is planned to add some retail units and expand wholesale facilities which were delayed due to high interest rates and general economic conditions.

The Wholesale & Retail Division enters 1971 in a climate of fierce price competition and rising costs. Nevertheless it is anticipated that 1971 will be a satisfactory year.

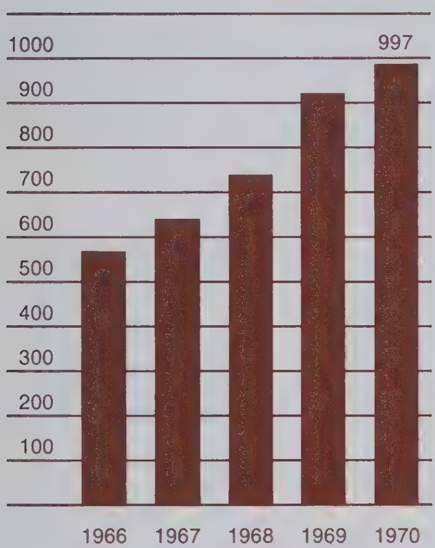
LOBLAW

This Division is not consolidated in the financial statements but is treated as an investment. Income from operations includes dividends received in the year from the Loblaw Division amounting to $2,120,000—less than half of your company's share of Loblaw's net profits for the last fiscal year ended March 28, 1970. Consolidated sales of the Loblaw Division throughout North America were in excess of $2.5 billion. As indicated in Note 1(a) to the financial statements, your Company owns a controlling interest in the Class "B" voting stock and slightly less than 50% of all participating stock of Loblaw Companies Limited.

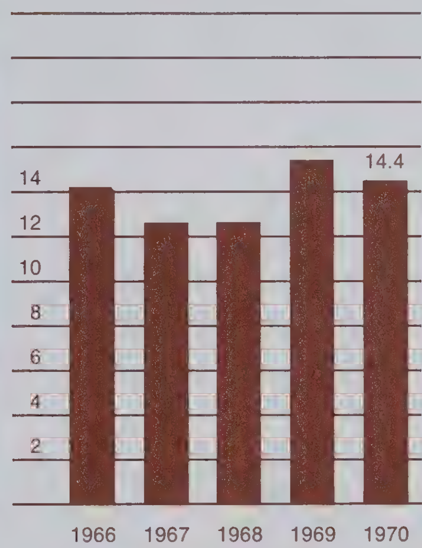
Financial Charts

(in millions of dollars)

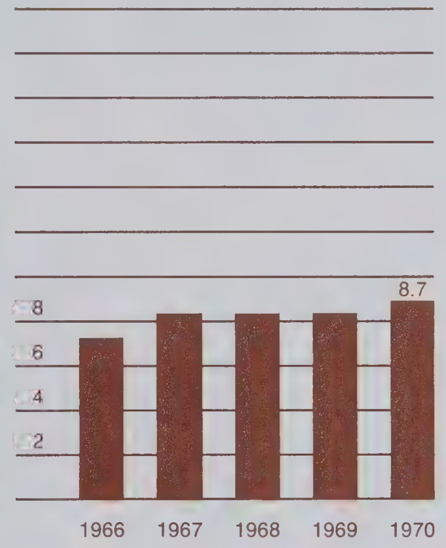
SALES



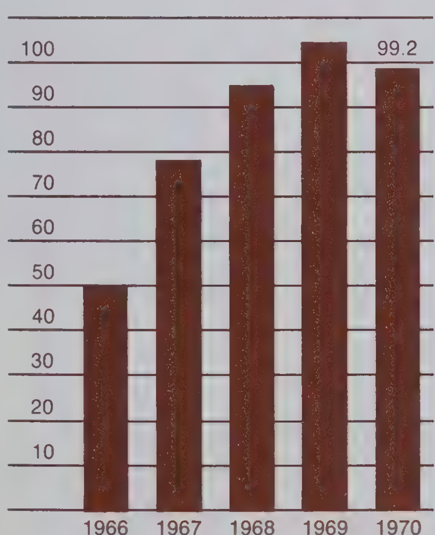
INCOME FROM OPERATIONS



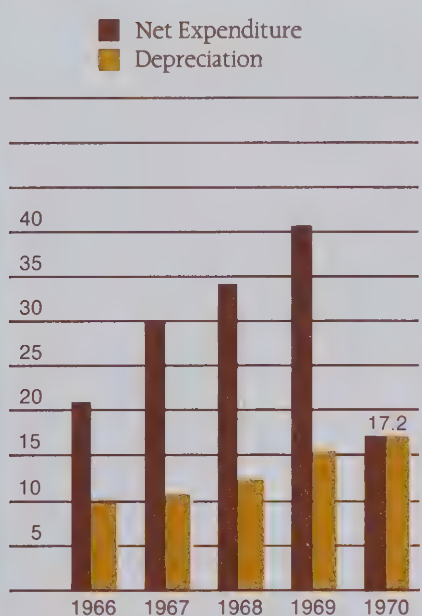
COMMON DIVIDENDS



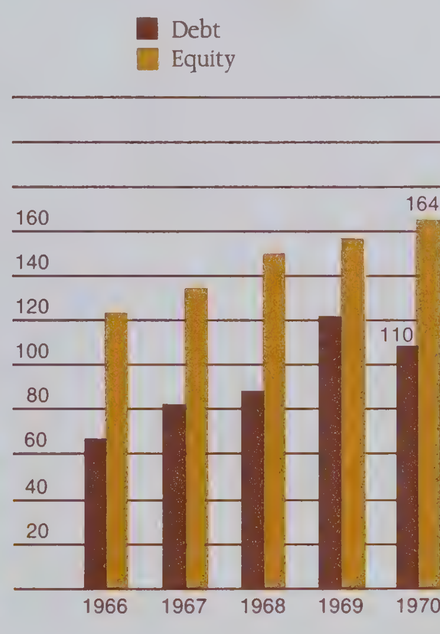
WORKING CAPITAL



FIXED ASSETS



LONG-TERM DEBT AND SHAREHOLDERS' EQUITY



BAKING 10x6

George Weston Limited

Bakery

Principal Subsidiaries

Weston Bakeries Limited
  Lane's Bakeries Limited
Soo Line Mills (1969) Limited

Facilities

Bakeries in Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Toronto, Sudbury, Kingston, Kirkland Lake, Montreal and Moncton. Flour mill in Winnipeg. Warehouses in all principal cities in Canada.

Products—Services

Produces a wide variety of bread, rolls, cakes and other bakery products under national brand and private label and distributes to 25,000 food retail and catering outlets in all provinces of Canada. Produces flour and mill feeds for internal use and domestic and export markets.

Biscuit & Confectionery

Principal Subsidiaries

Weston Foods Limited
George Weston Limited—Operating Division
McCormick's Limited
Paulin Chambers Co. Ltd.
Marven's Limited
George Weston Inc. (U.S.)
  Weston Biscuit Company Inc.
  Southern Biscuit Company
  American Biscuit Company
  Johnson Biscuit Company

Facilities

Biscuit and confectionery plants at Winnipeg, Brantford, London, Longueuil in Canada, and Richmond (Virginia), Passaic (New Jersey), Tacoma (Washington) and Sioux City (Iowa). Sales branches in principal cities of Canada and United States.

Products—Services

Manufactures and distributes a broad range of sweet biscuits, crackers, ice cream cones, confections and candies throughout Canada and in the United States.

Chocolate & Dairy

Principal Subsidiaries

William Neilson Limited
  Eplett Ice Cream Limited
Willards Chocolates Limited
Devon Ice Cream Limited
Nassau Dairy Products Limited

Facilities

Chocolate production facilities in Toronto. Ice cream plants in Toronto and New Liskeard, Ontario. Dairies in Beachville, Cochrane and Timmins, Ontario.

Products—Services

Produces and distributes throughout Canada and in the United States a wide range of chocolate bars and boxed chocolates, chocolate coatings and cocoa and specialty items. Also manufactures bulk and packaged ice cream and frozen novelties, and processes milk and associated products.

Return [illegible]

Fisheries

Principal Subsidiaries

British Columbia Packers Limitec
  Nelson Bros. Fisheries Limited
  Rupert Fish Company, Inc. (U.S
Connors Bros., Limited
  H. W. Welch, Limited
  Lewis Connors & Sons Limitec

Facilities

British Columbia Packers Limitec have extensive canning, freezing and processing facilities in British Columbia, Alaska, California and on the Atlantic coast. Connors has similar facilities in the Bay of Fundy area including can manufacturing plant.

Products—Services

British Columbia Packers group are major suppliers of Pacific coast salmon and a wide variety of fresh, frozen, canned and prepared fish, as well as fish meal and oil. Connors group are Canada's leading packers of sardines and a large processor of Atlantic Ocean seafoods and fish products.

Consolidated Statement of Income

GEORGE WESTON LIMITED
Year ended December 31, 1970
(in thousands of dollars)

	1970	1969
SALES AND OTHER INCOME:		
Sales	$ 997,386	$931,857
Dividends from non-consolidated subsidiaries	2,120	2,408
Other investment income	2,088	2,107
	1,001,594	936,372
COSTS AND EXPENSES:		
Cost of sales, selling and administrative expenses (before the following items)	944,004	878,732
Depreciation	[illegible]	15,752
Interest on long-term debt	[illegible]	7,102
Other interest	[illegible]	4,080
	973,204	905,666
INCOME FROM OPERATIONS BEFORE INCOME TAXES, minority interests and extraordinary items	28,390	30,706
INCOME TAXES	11,887	13,049
	16,503	17,657
MINORITY INTERESTS	2,107	2,225
INCOME FROM OPERATIONS BEFORE EXTRAORDINARY ITEMS	14,396	15,432
EXTRAORDINARY ITEMS:		
Income tax reductions resulting from application of losses of prior years in certain subsidiary companies	568	926
Non-recurring gains (losses) on lease terminations and disposal of capital assets (note 6)	808	(869)
Foreign exchange loss on freeing of Canadian dollar (note 1c)	(127)	
NET INCOME FOR THE YEAR	$ 15,645	$ 15,489
PER COMMON SHARE:		
Income from operations before extraordinary items	$ 1.23	$ 1.33
Net income	$ 1.35	$ 1.33

Consolidated Balance Sheet

GEORGE WESTON LIMITED
as at December 31, 1970
(in thousands of dollars)

ASSETS

	1970	1969
CURRENT ASSETS:		
Cash	$ 3,483	$ 9,608
Demand loans to a non-consolidated subsidiary	1,364	
Accounts receivable (note 2)	64,329	66,297
Inventories, at the lower of cost and market—		
Raw materials and supplies	43,199	44,813
Finished goods	102,028	88,018
Prepaid expenses	4,201	4,074
	218,604	212,810
INVESTMENTS and other assets, at cost:		
Shares in non-consolidated subsidiaries (note 3)	23,921	22,950
Secured loans and advances (note 10)	6,857	6,989
Sundry investments (note 3)	4,142	4,619
Properties held for sale	3,145	4,156
Excess of cost of shares of subsidiaries over fair value of net assets acquired (note 1b)	3,089	2,205
	41,154	40,919
FIXED ASSETS, at cost:		
Land and buildings	105,654	93,851
Machinery and equipment	288,906	293,905
	394,560	387,756
Less accumulated depreciation	211,172	204,365
	183,388	183,391
	$443,146	$437,120

On behalf of the Board:
W. Garfield Weston, Director
G. E. Creber, Director

LIABILITIES

	1970	1969
CURRENT LIABILITIES:		
Bank advances and notes payable (note 4)	$ 41,486	$ 27,836
Accounts payable	62,228	66,529
Taxes payable	3,980	7,226
Dividends payable	2,291	2,045
Long-term debt payable within one year	9,429	4,106
	119,414	107,742
LONG-TERM DEBT (note 5)	110,264	121,175
DEFERRED ITEMS:		
Deferred income taxes	17,880	18,632
Deferred real estate income (note 6)	295	1,342
Excess of fair value of net assets acquired over cost of shares of subsidiaries (note 1b)	4,930	4,885
Deferred foreign exchange adjustment (note 1c)	734	
	23,839	24,859
MINORITY INTERESTS IN SUBSIDIARIES	25,679	26,869
SHAREHOLDERS' EQUITY:		
Preferred shares (note 7)	19,428	17,980
Common shares (note 7)	19,123	19,123
Retained earnings (note 8)	125,399	119,372
	163,950	156,475
	$443,146	$437,120

Consolidated Statement of Retained Earnings

GEORGE WESTON LIMITED
Year ended December 31, 1970
(in thousands of dollars)

	1970	1969
RETAINED EARNINGS at beginning of year	$119,372	$112,996
Add net income for the year	15,645	15,489
	135,017	128,485
Deduct:		
Dividends declared—		
Preferred shares:		
First series ($4.50 per share)	455	457
Second series ($6.00 per share)	470	474
Third series ($1.15 per share)	20	
	945	931
Common shares (1970—79½¢ per share; 1969—75¢ per share)	8,073	8,182
	9,618	9,113
RETAINED EARNINGS at end of year	$125,399	$119,372

Consolidated Statement of Source and Application of Funds

GEORGE WESTON LIMITED

Year ended December 31, 1970
(in thousands of dollars)

	1970	1969
SOURCE OF FUNDS:		
From operations—		
Net income for the year	$ 15,645	$ 15,489
Add (deduct):		
Depreciation	17,248	15,752
Deferred income taxes	(752)	(754)
Amortization of differences between cost of shares of subsidiaries and fair value of net assets acquired	(1,159)	(721)
Deferred real estate income	(1,047)	(206)
	29,935	29,560
Disposal of fixed assets	4,369	2,830
Long-term debt issued	2,673	37,121
Preferred shares issued	1,700	
Excess of fair value of net assets acquired at dates of acquisitions over cost of shares	320	3,401
Net decrease in investments and properties held for sale	649	2,761
Deferred foreign exchange adjustment	734	
	40,380	75,673
APPLICATION OF FUNDS:		
Reduction in long-term debt	13,584	9,274
Additions to fixed assets	21,614	43,546
Change in deferred income tax arising on acquisition of subsidiaries		5,408
Preferred shares purchased for cancellation	252	196
Dividends to shareholders	9,618	9,113
Decrease (increase) in minority interest	1,190	(2,026)
	46,258	65,511
(DECREASE) INCREASE IN WORKING CAPITAL	(5,878)	10,162
WORKING CAPITAL beginning of year	105,068	94,906
WORKING CAPITAL end of year	$ 99,190	$105,068

Notes to Consolidated Financial Statements

GEORGE WESTON LIMITED December 31, 1970

1. BASIS OF CONSOLIDATION AND ACCOUNTING PRESENTATION—

(a) The consolidated financial statements include the accounts of all subsidiary companies except those of Loblaw Companies Limited and its subsidiary companies. The accounts of George Weston Properties Limited—a newly formed property holding company, are included on the equity basis.

It is considered inappropriate to fully consolidate George Weston Properties Limited because of the nature of its activities—a separate financing vehicle for properties which might otherwise be lease-financed with third parties. In 1970 this company earned $90,840 from the date of incorporation on March 5, 1970 to the end of the year. At December 31, 1970 it had investments in properties of $4,441,548, financed substantially by borrowings.

Although George Weston Limited has voting control of Loblaw Companies Limited through ownership of 59.1% of that company's outstanding class B voting shares, the Weston holding of the combined class A non-voting shares and class B voting shares is less than a majority of the total participating shares outstanding. In addition, there are substantial minority interests in the Loblaw subsidiary companies themselves. In these circumstances, it is felt that consolidation of the Loblaw accounts with those of Weston would not be appropriate or meaningful.

The following information has been extracted from the audited consolidated financial statements of Loblaw Companies Limited for the fifty-two weeks ended March 28, 1970:

	(in thousands of dollars)
Working capital	$ 100,069
Total assets	546,324
Minority interests in subsidiaries	111,396
Shareholders' equity	121,822
Sales	2,525,098
Income before special items	7,106
Net income	10,009

George Weston Limited's portion of the above net income was $4,425,000 (equal to 41¢ per Weston common share). During the year ended December 31, 1970, $2,120,000 (equal to 19¢ per Weston common share) was received by way of dividends and is reflected in the consolidated statement of income. The company's portion of the undistributed consolidated earnings of Loblaw Companies Limited earned since acquisition to March 28, 1970 is approximately $34,756,000.

(b) The company follows the policy of amortizing, over periods not exceeding twenty years, the net difference between the cost of investment in subsidiaries and the estimated fair value of their net assets at date of acquisition. In the case of one subsidiary acquired during 1969, where the fair value of net assets exceeded the cost of the investment, the excess is being amortized and credited to income over five years, this being the estimated period necessary to achieve the full economies of integration, during which a higher level of costs is anticipated. Total amortization charges and credits resulted in a net credit to income of $1,159,000 in 1970 and $721,000 in 1969 (included in "Cost of sales, selling and administrative expenses").

(c) As a result of the unpegging of the Canadian dollar on May 31, 1970, the company has translated all U.S. balances at a rate approximating the current rate. The loss of $127,000 (after income tax credits of $133,000) on working capital in U.S. funds of Canadian companies at that date is shown as an "extraordinary item" in the consolidated statement of income. The net gain on the translation of long-term debt of the Canadian companies and the company's equity in its U.S. subsidiaries has been deferred until such time as it is realized and is shown on the balance sheet as "Deferred Foreign Exchange Adjustment".

2. ACCOUNTS RECEIVABLE—

Accounts receivable include a net amount of $1,529,000 (1969—$1,072,000) arising from trade and other current transactions with subsidiaries not consolidated.

3. INVESTMENTS—

Shares in subsidiary companies not consolidated consist of the investment in George Weston Properties Limited carried at an equity amount of $140,000 and shares in Loblaw Companies Limited and a subsidiary thereof having a quoted market value of $27,661,000 carried at a cost of $23,781,000. Because of the number of Loblaw Companies Limited shares involved, and the fact that these securities represent control of the company, the amounts that would be realized if these securities were to be sold may be considerably more or less than the market value included above.

Sundry investments include shares and bonds costing $1,061,000 with quoted market values of $974,000 at December 31, 1970. Realizable value of the remainder of sundry investments is estimated to be not less than cost.

4. BANK ADVANCES AND NOTES PAYABLE—

Bank indebtedness of certain subsidiary companies of approximately $34,000,000 is secured by a pledge of accounts receivable and inventories of these companies.

5. LONG-TERM DEBT—

	Payable within one year	Total
George Weston Limited—		
Series B — 4¾% Sinking fund debentures due October 15, 1971	$4,921,000	$ 4,921,000
Series C — 5¼% Sinking fund debentures due May 15, 1982	73,000	10,348,000
Series D — 5½% Sinking fund debentures due May 15, 1983	121,000	10,921,000
Series E — 6¾% Sinking fund debentures due July 15, 1986	57,000	8,307,000
Series F — 6¾% Sinking fund debentures due June 1, 1987		25,000,000
	5,172,000	59,497,000
Eddy Paper Company Limited—		
First Mortgage Bonds—		
1954 Series—4% Sinking fund bonds due October 1, 1974	300,000	5,700,000
1955 Series—4% Sinking fund bonds due June 1, 1975	150,000	3,000,000
1969 Series—7% Sinking fund bonds due April 30, 1989 ($27,000,000 U.S.)		27,835,000
	450,000	36,535,000
Somerville Industries Limited—		
First Mortgage Bonds—		
Series A — 5¼% Sinking fund bonds due October 15, 1973	211,000	667,000
Series B — 6% Sinking fund bonds due June 15, 1977	9,000	1,234,000
	220,000	1,901,000
British Columbia Packers Limited—		
First Mortgage Bonds—		
Series A — 6¾% Sinking fund bonds due May 1, 1971	500,000	500,000
Series B — 6½% Sinking fund bonds due May 1, 1983 ($4,500,000 U.S.)		4,635,000
Series C — 6½% Sinking fund bonds due May 1, 1983 ($1,500,000 U.S.)		1,545,000
	500,000	6,680,000
Kelly, Douglas & Company, Limited—		
Series A—6% Sinking fund debentures due November 1, 1977	82,000	1,682,000
Demand note payable, bearing interest at 1% above the prime rate, repayable $125,000 quarterly	500,000	2,625,000
	582,000	4,307,000
Notes, mortgages and other long-term debt	2,505,000	10,773,000
	$9,429,000	119,693,000
Less payable within one year		9,429,000
Long-term debt		$110,264,000

Instalments of long-term debt payable each year for the next five years are:

1971	$9,429,000	1974	$9,619,000
1972	5,336,000	1975	8,695,000
1973	5,536,000		

6. DEFERRED REAL ESTATE INCOME—

The deferred real estate income arises primarily from the proceeds of sales in prior years of certain properties now leased back. It is being transferred to income on a basis which will amortize the total over the terms of the leases which cover a period of 15 years from date of such sales. Included in "extraordinary items" in 1970 is the unamortized balance of deferred real estate income of one subsidiary of $867,000 which was realized through termination of the leases.

7. CAPITAL STOCK—

	Number of shares		Amount	
	1970	1969	1970	1969
Preferred cumulative redeemable shares, par value $100 each, issuable in series:				
Authorized	354,497	354,497		
Less purchased for cancellation	7,214	4,697		
	347,283	349,800		
Issued and outstanding—				
4½% first series, redeemable at a premium of 4%	98,897	101,283	$ 9,890,000	$10,128,000
6% second series, redeemable at a premium of 5%	78,386	78,517	7,838,000	7,852,000
6% third series, redeemable at par after October 1, 1980, convertible into 5 common shares for each preferred share and $3.75. Issued in 1970 (note 10)	17,000		1,700,000	
	194,283	179,800	19,428,000	17,980,000
Common shares, without par value:				
Authorized (a)	16,950,000	16,950,000		
Issued	10,909,357	10,909,357	19,123,000	19,123,000
			$38,551,000	$37,103,000

(a) 85,000 shares are reserved for the potential conversion of third preferred shares.

8. RETAINED EARNINGS—

In compliance with Section 61 of the Canada Corporations Act, retained earnings of $721,000 are designated as capital surplus arising on the redemption of preferred shares.

The trust indentures, under which long-term debt is outstanding, contain certain restrictions relating to the payment of dividends.

9. COMMITMENTS AND CONTINGENT LIABILITIES—

(a) The aggregate minimum rentals under long-term leases (extending beyond five years from the balance sheet date) in effect at December 31, 1970 are as follows for each of the five year periods shown:

1971–1975	$31,066,000	1986–1990	$12,129,000
1976–1980	23,697,000	1991–1995	4,860,000
1981–1985	16,423,000	After 1995	551,000

Rentals paid in 1970 under long-term leases amounted to $6,021,000.

(b) Contingent liabilities, relating mainly to third party guarantees, amount to approximately $3,200,000.

10. STATUTORY INFORMATION –

Secured loans and advances include $352,000 owing by a director for the purchase of shares in British Columbia Packers Limited and $1,700,000 owing by directors and officers of the company and its subsidiaries arising out of the purchase of preferred shares of the company through a trustee. These advances are secured by the shares being purchased.

Information pursuant to Section 120B of the Canada Corporations Act for the year ended December 31, 1970:

Number of directors	12
Aggregate remuneration as directors	Nil
Number of officers	9
Aggregate remuneration as officers	$358,569
Number of officers who are directors	4

Auditors' Report

Clarkson, Gordon & Co.
Chartered Accountants

AUDITORS' REPORT
To the Shareholders of George Weston Limited:

We have examined the consolidated balance sheet of George Weston Limited and consolidated subsidiary companies as at December 31, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
March 12, 1971.

Chartered Accountants

George Weston Limited Seven Year Review

(in thousands)

	1970	1969	1968	1967	1966	1965	1964
SALES AND INCOME							
Sales	$997,386	$931,857	$729,889	$622,435	$579,771	$485,919	$462,648
Depreciation	17,248	15,752	12,581	10,962	9,373	8,224	7,155
Interest	11,352	11,182	8,464	7,586	6,116	4,669	4,753
Taxes on Income	11,887	13,049	11,957	8,436	11,572	11,027	10,169
Income from Operations	14,396	15,432	13,076	12,983	14,254	12,558	11,281
—per common share	1.23	1.33	1.11	1.10	1.22	1.12	1.00
Extraordinary Items	1,249	57	10,085	6,789	1,022	1,036	1,093
Net Income	15,645	15,489	23,161	19,772	15,276	13,594	12,374
—per common share	1.35	1.33	2.04	1.72	1.31	1.21	1.09
Dividends							
—common shares	8,673	8,182	8,182	8,182	7,406	5,433	4,513
—preferred shares	945	931	950	961	974	982	984
FINANCIAL POSITION							
Current Assets	218,604	212,810	197,052	162,982	140,310	119,194	114,329
Current Liabilities	119,414	107,742	102,146	86,307	90,405	60,971	52,392
Working Capital	99,190	105,068	94,906	76,675	49,905	58,223	61,937
Fixed Assets—Net	183,388	183,391	158,427	136,649	120,043	107,751	93,933
Long-Term Debt	110,264	121,175	93,328	86,468	67,204	51,918	53,334
Shareholders' Equity	163,950	156,475	150,295	135,663	126,572	115,693	110,198
Total Assets	$443,146	$437,120	$396,954	$349,399	$321,663	$259,161	$244,022

The figures for years 1964 to 1967 have not been restated for changes in accounting principle or presentation adopted in 1969.

George Weston Limited

EXECUTIVE OFFICES
25 King St. W., Toronto, Ont.

STOCK LISTINGS
Toronto, Montreal and Vancouver Stock Exchanges

TRANSFER AGENTS
National Trust Company, Limited, Toronto, Montreal, Winnipeg, Edmonton and their agents;
Canadian Imperial Bank of Commerce, Charlottetown, Halifax, Saint John, Regina and Vancouver;
The Detroit Bank and Trust Company, Detroit, Michigan, U.S.A.

AUDITORS
Clarkson, Gordon & Co.

CREDITS
The pages of this report are printed on STARBRITE OFFSET, *made by your Company's wholly owned subsidiary, The E. B. Eddy Company.*
The type face used in the body of the report, Cartier, was designed by a Canadian artist, the late Carl Dair, to commemorate Canada's Centennial in 1967.

Litho in Canac